

Message Text

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ACTION EUR-12

INFO OCT-01 AF-04 ISO-00 SP-02 AID-05 EB-04 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-05 NSAE-00 XMB-02 OPIC-06 LAB-01

SIL-01 L-01 H-01 DODE-00 PA-01 USIA-06 PRS-01 AGR-05

INT-05 IO-04 DRC-01 /094 W
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P R 151530Z OCT 74

FM AMEMBASSY LISBON

TO SECSTATE WASHDC PRIORITY 0760

INFO AMCONSUL PONTA DELGADA

AMCONSUL LOURENCO MARQUES

AMCONSUL OPORTO

C O N F I D E N T I A L LISBON 4439

E.O. 11652: GDS

TAGS: ELAB PO

SUBJ: PORTUGUESE COMPANY COMPLAINING U.S. ENTITY

DELAYING EQUIPMENT PURCHASE UNTIL

"SOCIO-POLITICAL INSTABILITY DISAPPEARS"

1. SUMMARY: MINISTRIES OF FOREIGN AFFAIRS AND LABOR HAVE BOTH CALLED EMBASSY'S ATTENTION TO COMPLAINT BY PORTUGUESE FIRM SOREFAME THAT U.S. ENTITY IS DELAYING ITS RECEIPT OF A SUBCONTRACT UNTIL PORTUGAL'S "SOCIO-POLITICAL INSTABILITY HAS DISAPPEARED". END SUMMARY.

2. SOREFAME HAS GIVEN MINISTRIES FOLLOWING ACCOUNT:

(A) PUBLIC UTILITY DISTRICT NO 1 (PUD) OF CHELAN COUNTY, WASHINGTON, HAS ORDERED FROM THE FRENCH FIRM ALSTHOM (NEYRPIC DURSIO) EIGHT TURBO-GENERATORS "BULBS" ("8 GRUPOS BOLBO DE 54 MV") TO EQUIP THE ROCK ISLAND HYDRAULIC CENTER ON THE COLUMBIA RIVER.

(B) ALSTHOM, A SHARE HOLDER IN AND LICENSOR OF
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SOREFAME, WOULD SUBCONTRACT TO SOREFAME FOR AN

IMPORTANT PART OF THE ALTERNATIVES FOR THE ABOVE ORDER.

(C) A REPRESENTATIVE OF PUD VISITED PORTUGAL (THE FIRST WEEK IN OCTOBER). HE FOUND SOREFAME TECHNICALLY SOUND, BUT AFTER HIS RETURN TO U.S. PUD DECIDED TO DELAY AUTHORIZING ALSTHOM TO USE SOREFAME AS A SUB-CONTRACTOR UNTIL "SOCIO-POLITICAL INSTABILITY DISAPPEARED".

(D) SOREFAME FEARS THAT PUD ATTITUDE MAY HAVE "SNOWBALLING EFFECT", LEADING OTHER COMPANIES ABROAD TO WITHHOLD BUSINESS FROM SOREFAME. SOREFAME IS WORRIED PARTICULARLY ABOUT AN ORDER FOR RAILING CARS FROM BOEING VERTOL COMPANY FOR THE CHICAGO TRANSIT AUTHORITIES. ACCORDING TO SOREFAME, BOEING VERTOL AND PUD ARE IN CLOSE CONTACT.

3. IN ADDITION TO SOREFAME CASE, MINISTER OF LABOR CALLED IN A/AIRA, WHO IS PERSONAL FRIEND, TO EXPRESS HIS CONCERN THAT MANY "MULTINATIONAL AND AMERICAN COMPANIES" ARE PLANNING TO LEAVE PORTUGAL, A STEP HE SAYS WILL CAUSE UNEMPLOYMENT AND PUSH PORTUGAL FURTHER TOWARD THE LEFT. HE ASKED THE AMBASSADOR'S HELP IN DISSUADING AMERICAN COMPANIES FROM LEAVING.

4. COMMENT: (A) SOREFAME CASE - IF PUD IS WORRIED THAT THE POLITICAL SITUATION IN PORTUGAL COULD UPSET DELIVERIES OF COMPONENTS UNDER THE SUBCONTRACT, WE DO NOT BELIEVE THAT SUCH FEAR IS WELL-GROUNDED. MAJORITY OWNERSHIP IN SOREFAME IS GOVERNMENTAL (HENCE NATIONALIZATION NOT A SPECTER), SOREFAME IS A LARGE EMPLOYER, AND IT IS AN IMPORTANT EARNER OF FOREIGN EXCHANGE. ANY PORTUGUESE GOVERNMENT, NO MATTER WHAT ITS POLITICAL COLORATION, IS UNLIKELY TO DO OR PERMIT ANYTHING WHICH WOULD HAMPER FULFILLMENT OF SOREFAME'S CONTRACTS.

(B) DEPARTURE PLANS FOR AMERICAN COMPANIES - WE BELIEVE MINISTER OF LABOR'S FEARS ARE EXAGGERATED ABOUT PLANS FOR IMMINENT DEPARTURE, ALTHOUGH MANY FIRMS HAVE CONTINGENCY PLANS IN CASE THE SITUATION HERE IN THEIR VIEW WORSENS. AT THIS STAGE, HOWEVER, WHILE

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WE CAN UNDERSTAND THE RELUCTANCE OF FIRMS TO UNDERTAKE NEW INVESTMENTS, WE BELIEVE THAT IT IS PREMATURE FOR THEM TO CONSIDER PULLING UP STAKES.

5. ACTION REQUESTED: (A) SOREFAME CASE - CONSULT PUD TO DETERMINE IF THEY IN FACT ASKED ALSTHOM TO DELAY A SUBCONTRACT FOR SOREFAME AND IF SO, ON WHAT BASIS THEY MADE THIS REQUEST. IF THEY ARE

AFRAID THAT POLITICAL CONDITIONS WILL DELAY OR
CANCEL DELIVERIES, WE SUGGEST THEY BE REASSURED ALONG
LINES OF PARA 4B ABOVE.

(B) DEPARTURE PLANS OF AMERICAN COMPANIES - IF
AND WHEN AMERICAN COMPANIES WITH INVESTMENTS IN
PORTUGAL APPROACH DEPARTMENT FOR ADVICE, WE SUGGEST
THAT THEY BE INFORMED THAT WE SEE NO REASON AT
PRESENT TIME WHY THEY SHOULD CLOSE DOWN THEIR
OPERATIONS: GOVERNMENT HAS ASSERTED ITS
INTEREST IN CONTINUING FOREIGN INVESTMENT AND HAS
TAKEN, AND IS TAKING, STEPS TO IMPROVE THE ECONOMIC
ENVIRONMENT (SEE LISBON'S 4081).
SCOTT

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CONTRACTS, ELECTRIC EQUIPMENT, TRADE COMPLAINTS
Control Number: n/a
Copy: SINGLE
Draft Date: 15 OCT 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: shawdg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LISBON04439
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740293-1019
From: LISBON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741045/aaaabmmx.tel
Line Count: 128
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 29 MAY 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29 MAY 2002 by rowelle0>; APPROVED <18 MAR 2003 by shawdg>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PORTUGUESE COMPANY COMPLAINING U.S. ENTITY DELAYING EQUIPMENT PURCHASE UNTIL
TAGS: ETRD, BDIS, PO, SOREFAME, PUD
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005